

U.S. TREASURY DEPARTMENT
Internal Revenue Service
Washington 25, D. C.

Alcohol and Tobacco Tax Division
Industry Circular No. 56-7

February 2, 1956

Proposed Amendments of Parts 220, 221, and 225
Relating Primarily to Operations at Internal
Revenue Bonded Warehouses

Proprietors of internal revenue bonded
warehouses, registered distilleries,
and fruit distilleries, and others
concerned:

1. You were advised by Industry Circular No. 55-31, dated September 20, 1955, of a number of amendments which it was proposed to make in the regulations relating primarily to operations at internal revenue bonded warehouses. These proposals were contained in a notice of proposed rule making published in the Federal Register for October 13, 1955.

2. Further study by this division has resulted in several changes in the proposed amendments as discussed in Industry Circular No. 55-31 and published in the notice of proposed rule making. The changes are either of a liberalizing nature, or of a technical nature not affecting substantive requirements.

3. Changes of major interest are:

(a) As published in the notice, the amendments to 26 CFR Parts 220, 221, and 225, would eliminate requirements for the weighing, prior to shipment, of packages transferred in sealed conveyances between internal revenue bonded warehouses and would transfer to proprietors the responsibility for determining and recording the weights of all packages transferred, whether in sealed or unsealed conveyances. This proposal has been further amended to provide that the assistant regional commissioner, with the approval of the Director, Alcohol and Tobacco Tax Division, may waive the weighing of packages of spirits upon receipt subsequent to transfer in unsealed conveyances, where the proximity of the premises or other conditions are such that jeopardy to the revenue would not be incurred.

(b) It is proposed to revise the requirements for plats and plans (26 CFR Parts 220, 221, and 225) to require less detailed information thereon. A plat and flow diagrams would be required for distilleries. A plat and floor plans for each floor where the warehouse consists of, or includes, only a portion of a building would be required for internal revenue bonded warehouses. The regulations will continue to

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require floor plans of the bottling-in-bond department. Additional plans may be required from time to time where deemed necessary.

(c) The notice provided that the warehouseman maintain commercial records covering the physical removal of each lot of spirits which would support the monthly summaries to be reported on Form 52C. Since the publication of the notice it has been found practicable and desirable to substitute commercial records for detailed monthly reports presently required to be prepared by proprietors of various other premises. A Treasury decision effecting such procedures is scheduled for early issuance. In order that the change over to commercial records may be complete, and be accomplished in an orderly manner, the new Form 52C procedure will be included in that Treasury decision which relates solely to commercial records.

4. The proposed Treasury decision will make other changes from the proposals contained in the notice of proposed rule making, as follows:

(a) to retain the present requirement that the proof of spirits be adjusted to a whole degree prior to the filling of packages from storage tanks.

(b) to provide for the affixing to bottles of brand labels and State stamps in the storage portion of the warehouse, regardless of there being a bottling-in-bond department, where the need therefor is established, space and facilities are available, and the necessary supervision can be performed without the assignment of additional internal revenue officers.

(c) to provide for the removal of packages of wine spirits from an internal revenue bonded warehouse for use in wine production on the basis of the original gauge made by the distiller or gauge made by the warehouseman.

(d) to authorize the assistant regional commissioner to approve communicating doors between the bottling-in-bond department and the storage portion of the warehouse and any openings between such department and the empty container storeroom, which will not constitute a jeopardy to the revenue.

(e) to permit the Director, Alcohol and Tobacco Tax Division, to authorize the establishment of an internal

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revenue bonded warehouse with less than a 5,000 barrel capacity where the need therefor is fully established.

(f) to discontinue the marking of storage tanks of spirits at warehouses.

(g) to remove the requirement for arranging cases of bottled-in-bond spirits in serial order when storing such cases in stacks or blocks.

(h) to permit the bottling alternately on one bottling line in the bottling-in-bond department, of spirits from more than one tank or lot.

5. The amendments of 26 CFR Part 225 will provide that the warehouseman shall make a report of gauge on Form 1698 where a package or other container is found on warehouse inspection to have sustained an unusual loss from obvious cause other than theft or unauthorized voluntary destruction or where an unusual loss is determined at the time of recovering. The instructions on Form 1698, revised January 1956, differ somewhat from the regulations. The instructions in the regulations should be followed.

6. The proposed Treasury decision provides that it shall be effective on the date of its publication in the Federal Register.

7. This circular is being issued prior to publication of the Treasury decision in order to afford you an opportunity to plan for the transition to the new procedures and to discuss any questions which may arise with Government personnel before the proposed amendments become effective. Probably most inquiries can be satisfactorily answered by your assistant regional commissioner; accordingly, they should be addressed to him and should refer to the number of this circular.


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